

this law cannot be relied upon to give adequate stability to an irredeemable currency.

Whatever support might have been drawn from the earlier experiences of Brazil as to the stability of paper, the deluge of new paper poured into circulation after the fall of the Empire in 1889 left no room for delusions. The exchange of that year was favorable. The milreis, which had been at a discount of 6.48 per cent, in 1888, was at par in 1889, and exchange on London was at 27½ pence. An important factor tending to stability was the fact that the combined circulation of paper and bank-notes was less in 1889 than in any year since 1877 and there had been no excessive issues since 1869.¹ But this favorable situation was radically changed by the new government. At the close of 1890 the circulation had been advanced to 336,730,462 milreis, an increase of more than sixty per cent.; the next year 513,827,357 milreis was reached; in 1892, 555,825,964; in 1893, 646,917,750; in 1894, 703,825,960; and in 1895, 789,464,096 milreis. Exchange on London, which measured the gold value of the paper milreis, promptly fell to 22½ pence on average for 1890; 16½ pence for 1891; 10-3⁄5 pence for 1894; and finally to the low level of 51 pence for 1898. As in most paper money debauches, supply seemed never to equal demand, and the more the channels of circulation were flooded with depreciated paper the louder was the clamor that the supply of currency was insufficient for the needs of the country. The banks, many of which had the privilege of note issue, vied with the government in the issue of paper and in the profitable speculation in exchange, and, as depreciation more than kept pace with increase in quantity, it was a curious fact that the 297,800,000 milreis in circulation at the close of 1890 was worth more in gold than the 788,364,000 milreis remaining in circulation in 1898.*

¹ According to Wileman the average circulation in 1869 was 183,224,767 milreis; 1875, 181,868,699 milreis; 1880, 215,677,818 milreis; 1885, 207,861,450 milreis; 1888, 205,271,302 milreis; and in 1889, 198,815,562 milreis.

* Cf. Lyon, in *Questions Monétaires Contemporaines* 795. With